19 of 22 DOCUMENTS

Best's(R) Company Reports

July 22, 2005

Nutmeg Insurance Company

BUSINESS ADDRESS: Hartford Plaza, Hartford, Connecticut, United States 06115

*************** COMMUNICATIONS *************** Telephone: 860-547-5000
Fax: 860-547-6343
URL: http://www.thehartford.com

*************** COMPANY IDENTIFIERS *************** AMB#: 02706
FEIN#: 06-1032405
NAIC#: 39608

*************** COMPANY INFORMATION *************** Group Affiliation: Hartford Insurance Group

*************** DESCRIPTIONS *************** INDUSTRY TYPE: Property/Casualty

*************** TEXT OF REPORT *************** BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the members of The Hartford Insurance Pool, which operate under a business pooling arrangement, each pool member is assigned a Best's Rating of A+ (Superior). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the pool.

RATING RATIONALE

The following text is derived from the report of The Hartford Insurance Pool.

Rating Rationale: The rating applies to the 14 members of the Hartford Insurance Pool ("the pool"), led by Hartford Fire Insurance Company ("Hartford Fire"). The rating reflects the pool's superior capitalization, strong core operating results and excellent business position. These favorable considerations are somewhat tempered by The Hartford's ongoing, albeit substantially reduced, exposure to emerging asbestos and environmental (A&E) claims and adverse loss reserve development on older accident years within the group's assumed reinsurance, which has been exited, and specialty commercial segments. The outlook reflects A.M. Best's view that The Hartford is well positioned to manage changing market dynamics such as reduced pricing and increased competition due to the group's significant depth and breadth of operations, well-balanced risk selection, effective utilization of multiple distribution channels and superior capitalization that is further bolstered by strong financial flexibility and proven access to capital markets.

Positive rating factors are derived from the pool's adherence to conservative operating fundamentals and commitment to diversified underwriting and marketing strategies that provide balanced growth opportunities. In addition to its diversified product offerings, the pool benefits from its utilization of multiple distribution channels, including the personal lines affinity market, where it benefits from a long-term endorsement by AARP. Management has executed various operating initiatives such as exiting assumed reinsurance business and certain high-hazard specialty lines and focused its operations on targeting small to middle commercial markets and personal lines that are viewed as less volatile. The group also targets larger insureds in specialty casualty market, which compliments the complete book of business. Although competition is emerging in the small and middle commercial markets, The Hartford utilizes technology, localized support and excellent service to strengthen its already formidable business position.

Like other leading carriers within the U.S. property/casualty industry, The Hartford remains exposed to the potential development of A&E liabilities. However, during the first quarter of 2004, The Hartford reduced its outstanding A&E liabilities due to the completion of the settlement agreement with its largest claimant, Western MacArthur Co. In 2004, The Hartford reported adverse loss reserve development including a $256 million strengthening related to A&E reserves, a significant reduction from the prior year, and additional reserve charges related to construction defect claims and assumed reinsurance liabilities that are in run-off. These charges were offset to some degree by favorable development pertaining to a reduction of the initial loss estimates of the tragedy of September 11, 2001. A.M. Best maintains that The Hartford has been among the most pro-active U.S. insurers in addressing loss reserve deficiencies. However, A.M. Best believes that there is potential for loss reserve development to impact the prospective earnings of the pool.

The Hartford's financial leverage and coverage measures improved in 2004 due to strong earnings and the reduction of outstanding debt. In past years, the group had maintained financial leverage at the high-end of A.M. Best's tolerance for the company's debt ratings. That tolerance had been supported by The Hartford's access to the capital markets, largely consistent earnings capability, and diversified business platform. A.M. Best believes the group's earnings power in the absence of unusual items, together with management's actions to de-lever the company, should lead to the continued reduction of The Hartford's financial leverage and improved interest coverage measures through strong retained earnings.

::

Best's Rating A+ p Outlook Stable

FIVE YEAR
RATING HISTORY

Date	Best's Rating
07/14/05	A+ p
03/05/04	A+ p
05/12/03	A+ p
12/16/02	A+ p
09/27/01	A+ p
07/05/01	A+ p

KEY FINANCIAL INDICATORS

	Statutory Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income
2000	132,492	46,520	19,664
2001	114,324	45,688	1,841
2002	173,717	56,992	8,485
2003	190,927	60,364	8,589
2004	152,259	65,708	10,911
03/2004	38,527	15,871	4,466
03/2005	33,736	17,038	8,688

	Statutory Data ($000)		
Period	Net	Total Admitted	Policy-holders'

Ending	Income	Assets	Surplus
2000	22,444	254,529	162,418
2001	7,540	270,840	162,084
2002	46,022	284,714	181,327
2003	8,268	314,634	182,415
2004	11,878	299,896	169,723
03/2004	3,055	309,601	184,879
03/2005	7,949	294,175	163,642

	Profitability			Leverage			Liquidity	
		Inv.	Pretax				Overall	Oper.
Period	Comb.	Yield	ROR	NA Inv	NPW	Net	Liq	Cash-
Ending	Ratio	(%)	(%)	Lev	to PHS	Lev	(%)	flow (%)
2000	103.0	0.6	44.1	3.7	0.3	0.9	276.3	147.8
2001	113.8	3.4	4.2	33.9	0.3	1.0	249.0	101.2
2002	99.8	3.4	15.8	1.7	0.3	0.9	275.4	83.0
2003	124.2	8.8	14.7	0.7	0.3	1.1	238.0	132.3
2004	99.3	4.0	17.4	0.8	0.4	1.2	230.4	109.5
5-Yr Avg	108.0	1.6	18.8	...	...	...	...	...
03/2004	87.7	XX	30.9	XX	0.3	1.0	248.2	84.7
03/2005	89.4	XX	52.7	XX	0.4	1.2	225.4	177.9

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Professional Surplus Lines Writers.

BUSINESS REVIEW

The following text is derived from the report of The Hartford Insurance Pool.

The Hartford Insurance Pool offers personal and commercial insurance through fourteen companies that participate in an inter-company pooling arrangement, led by Hartford Fire Insurance Company. Through the pooling arrangement, premiums, losses and expenses are prorated according to fixed percentages. The pool's business is divided into three segments: Business Insurance, Personal Lines and Specialty Commercial. Multiple distribution channels enable the pool to penetrate various markets and maintain momentum despite competitive market conditions. The pool is represented throughout North America by a staff of administrators and engineers along with more than 7,000 local agents and brokerage firms. Thirty regional and branch offices are maintained by the pool.

The Business Insurance segment represents slightly more than 45% of the pool's property / casualty total written premiums. This segment is composed primarily of standard coverages such as workers' compensation, property, liability and automobile, targeting "main street" businesses and small manufacturers. The pool has rapidly emerged as a significant provider of coverages to the small and mid-size business sector. The largest distribution channel is the independent agency plant although the Hartford continues to distribute commercial products through other sources, including brokers, financial institutions, alliances and associations.

The Personal Lines segment provides automobile, homeowners and home-based business coverages primarily to the membership of the AARP, for which The Hartford has been endorsed since 1984, through a direct marketing operation. During the fourth quarter of 2001, this endorsement contract was extended until 2010. The segment also provides

automobile, homeowners and home-based business coverages to individuals who prefer local agents in the standard personal lines market and through Omni Insurance Group, in the non-standard automobile market. The Personal Lines segment represents nearly 37% of the pool's total written premium.

The Specialty Commercial segment is composed of large accounts, excess and surplus lines, financial products, surety bonds and agricultural lines. These policies are distributed through agents and brokers and represent 18% of the pool's total written premium.

On May 12, 2003, the Hartford announced plans to exit the assumed reinsurance business and sold most of its Property & Casualty Reinsurance business to Endurance Specialty Holdings Ltd. The pool also is a member of, and participates in, the business underwritten or served by American Nuclear Insurers and the Excess Bond Reinsurance Association.

2004 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product Line	Premiums Written Direct	Premiums Written Net	% of Total NPW	Pure Loss Ratio	Loss & LAE Reserves
Workers' Comp	12,328	13,445	20.5	61.0	30,749
Com'l MultiPeril	...	12,605	19.2	42.2	11,605
Priv Pass Auto Liab	...	10,424	15.9	64.6	9,587
Auto Physical	8	7,724	11.8	45.7	427
Homeowners	...	5,667	8.6	67.2	1,515
Comm'l Auto Liab	486	3,967	6.0	56.8	4,521
Oth Liab Occur	1,889	3,526	5.4	133.1	16,985
Oth Liab Cl-Made	118,311	2,474	3.8	47.9	3,464
Inland Marine	132	1,858	2.8	39.1	134
Allied Lines	388	1,367	2.1	64.5	629
Fire	18,731	818	1.2	38.5	598
All Other	-15	1,833	2.8	30.1	14,702
Totals	152,259	65,708	100.0	57.2	94,916

Major 2004 Direct Premium Writings By State ($000): New York, $ 18,448 (12.1%); California, $ 18,289 (12.0%); Texas, $ 16,611 (10.9%); Virginia, $ 11,869 (7.8%); Florida, $ 11,747 (7.7%); Illinois, $ 10,718 (7.0%); Washington, $ 8,885 (5.8%); 41 other jurisdictions, $ 51,314 (33.7%); Aggregate Alien, $ 4,378 (2.9%).

FINANCIAL PERFORMANCE

The following text is derived from the report of The Hartford Insurance Pool.

Overall Earnings: With the exception of 2001 and 2003, the pool's overall operating earnings have been outstanding as reflected by its five year average pretax operating return on surplus that has outperformed the commercial casualty industry composite. These results are derived from the pool's strong underwriting discipline and sustainable competitive advantages that include multiple distribution capabilities and extensive technology utilization. Further, the pool's superior customer service and diversified product offering enhances its risk selection and overall business retention. Overall favorable underwriting results are supported by solid investment income from the predominant fixed income portfolio that offset modest underwriting losses, dividends related to the sale of subsidiaries and dividends from the profitable life operation.

In 2004, near-breakeven underwriting results and strong operating income led to the pool generating excellent operating earnings, as demonstrated by the pool recording pretax return on revenue of 16.7%. This is a stark improvement over the prior year when during the first quarter of 2003, the Group (including non-pool affiliates) strengthened its net asbestos reserves by $2.6 billion which resulted in a net operating loss of $964 million. Excluding the aforementioned charge and other unusual items, the pool reported ongoing improvements in its core books of business and would have

reported operating earnings of $764 million, a 46% increase over 2002. 2001 operating results were negatively impacted by deterioration in underwriting performance driven by the events of September 11, increased loss costs impacting its personal lines segments and ongoing adverse loss reserve development in its reinsurance segment. Excluding the impact from September 11, which amounted to $647 million of pretax net incurred losses, the pool's 2001 pretax return on revenue would have been 11.1% versus-0.2%. The pool's various corrective actions in conjunction with the benefits of several years of strong pricing within the property/casualty markets are key drivers of the improved operating results.

On a total return basis, significant unrealized capital gains and dividends related to the initial public offering (IPO) of Hartford Life, Inc. and the significant appreciation in market value contributed to favorable total returns in the earlier years of the five year period. The revaluing of Hartford Life, Inc. to book value under statutory accounting following the re-acquisition of the remaining shares in 2000 resulted in significantly negative total returns in 2000 and 2001. Negatively impacting total returns further in 2001 was a $49 million realized capital loss stemming from the write-down on other than temporary impairments on fixed income securities, including losses stemming from securities issued by Enron. During 2002, total returns were negatively impacted as a significant realized capital gain totaling $4.1 billion was offset by an accompanying $4.4 billion unrealized capital loss primarily as a result of the de-stacking of Hartford Life and four of Hartford Fire's insurance subsidiaries out from under Hartford Fire Insurance Company (the lead company in the pool). In 2003 and 2004, unrealized capital gains pertaining to the increased market value of Hartford Life have propelled total return measures. Going forward, A.M. Best expects less volatility in the pool's total return measures, as the pool exited certain higher risk asset classes, including equities and certain limited partnerships, in its investment portfolio.

PROFITABILITY ANALYSIS

	Company				Industry Composite			
Period Ending	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2000	44.1	-65.6	103.0	54.6	14.9	-12.4	108.9	81.8
2001	4.2	21.7	113.8	94.1	3.7	-0.6	113.7	83.4
2002	15.8	11.8	99.8	82.6	9.7	4.2	95.0	79.6
2003	14.7	26.5	124.2	81.9	20.8	19.3	95.3	82.3
2004	17.4	-5.1	99.3	80.6	15.2	12.1	94.6	82.9
5-Yr Avg	18.8	-52.6	108.0	79.1	14.5	4.8	98.3	82.1
03/2004	30.9	XX	87.7	66.5	XX	XX	XX	XX
03/2005	52.7	XX	89.4	46.6	XX	XX	XX	XX

Underwriting Income: Excluding the impact from September 11 and the $2.6 billion asbestos charge in 2003, the pool has generated excellent underwriting results as reflected by its combined ratio, which has outperformed the commercial casualty industry composite during the last five years. Solid core underwriting results are reflective of underwriting discipline as well as the benefit of compounded annual rate increases earned through core commercial segments in recent years. In addition, the pool's underwriting results reflect its flexibility in shifting from large commercial accounts, one of the industry's most competitive sectors, to small and mid-sized commercial business coverages, which is less price sensitive. Offsetting these positives are the softening of market conditions, elevated medical costs, competitive conditions in the private passenger automobile liability business and unfavorable loss reserve development within its discontinued reinsurance segment and specialty business.

In an effort to improve underwriting performance, management has implemented underwriting initiatives in recent years, in addition to the aforementioned rate increases, including tightened underwriting guidelines, shifting state mix away from poor loss performing states and the discontinuation of unprofitable agencies in its personal lines segment. Furthermore, management has exited the reinsurance business, discontinued certain lines/classes of specialty commercial business and exited the international marketplace. The pool's various corrective actions in conjunction with firming property/casualty markets and low catastrophe losses (excluding 2004) have proven highly beneficial to the pool as evidenced by solid

improvement in core underwriting results since 2002. In 2004, the pool generated near-break-even underwriting results as strong results derived through its business insurance and personal lines segment offset by modest deterioration in the other non-core property/casualty operations in specialty casualty.

Significant events that impacted underwriting results over the five-year period include $647 million of incurred losses stemming from the September 11 terror attacks that added approximately 10 points to the combined ratio in 2001. However, in 2004, the Group reduced its initial loss estimates of the September 11 tragedy by $395 million. In addition, underwriting results were impacted by approximately $400 million due to the four hurricanes that primarily hit Florida. During the first quarter of 2003, The Hartford increased its asbestos reserves by $2.6 billion. This charge added approximately 30 points to the combined ratio in 2003. A.M. Best views both events as unusual and believes the pool's current asbestos reserves make a more reasonable provision for its ultimate liability. To measure its exposure to future terrorism losses, the group models and manages risk concentration using concentric circles around target locations. Prospectively, A.M. Best believes that the pool is in a sound position to manage the intermediate down-turn of the property/casualty pricing environment due to its proactive stance of addressing its risk selection from larger more high hazard risks towards small to middle market insureds that historically have better loss history and are less sensitive to pricing increases.

UNDERWRITING EXPERIENCE

	Net Undrw	Loss Ratios			Expense Ratios				
	Income	Pure		Loss &	Net	Other	Total	Div.	Comb
Year	($000)	Loss	LAE	LAE	Comm	Exp.	Exp.	Pol.	Ratio
2000	-1,919	59.6	11.5	71.1	12.9	18.0	30.9	1.0	103.0
2001	-6,755	69.6	10.7	80.2	14.2	19.1	33.3	0.3	113.8
2002	-816	59.9	11.2	71.1	11.8	16.4	28.3	0.4	99.8
2003	-14,648	79.3	18.0	97.4	10.2	16.5	26.6	0.2	124.2
2004	-363	57.2	13.4	70.5	10.3	18.4	28.6	0.1	99.3
5-Yr Avg	...	65.1	13.2	78.3	11.7	17.6	29.3	0.4	108.0
03/2004	1,402	33.9	27.9	61.9	XX	XX	25.8	0.0	87.7
03/2005	1,605	54.2	10.2	64.4	XX	XX	24.8	0.3	89.4

Investment Income: Despite challenging investment conditions over the most recent five-year period, the pool consistently generates solid investment income from its portfolio of predominantly fixed income securities. Consistent investment income growth from an expansion in the non-affiliated investment base has been produced from the reinvestment of positive cash flow. Investment income has also benefited from Hartford Life, Inc. dividends in recent years due to profitable operations and a $393 million dividend in 2000 related to the sale of Zwolsche Algemeene AG, which contributed 217 basis points to investment yield in that year. The dividends from Hartford Life increased considerably in 2003 and 2004, creating a significant gain in net investment income generation. As part of management's initiatives, the pool's invested asset portfolio has shifted away from common stocks and now focuses largely on fixed income securities of high credit quality. With a relatively small portfolio of equities and the pool's emphasis on investment income generation, non-affiliated capital gains have historically contributed modestly to investment returns. The pool's investment portfolio is comprised predominantly of diversified fixed income securities allocated among U.S. Government, tax-exempt and corporate issues, as well as mortgage backed securities. The remaining invested assets consist primarily of Hartford Holdings, Inc. and cash and short-term investments.

INVESTMENT INCOME ANALYSIS ($000)

Year	Net Inv Income	Company Realized Capital Gains	Unrealized Capital Gains
2000	21,581	1,414	-2,338,694

INVESTMENT INCOME ANALYSIS ($000)

2001	8,591	10,075	27,653
2002	9,255	67,752	-25,676
2003	24,740	6,144	39,968
2004	11,753	3,964	-20,858
03/2004	3,056	16	704
03/2005	7,066	551	-16,204

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2000	-97.9	0.6	-48.5	-47.3	4.6
2001	-60.2	3.4	19.5	-1.6	5.0
2002	7.7	3.4	20.7	9.7	4.8
2003	167.3	8.8	27.5	15.7	4.4
2004	-52.5	4.0	-1.7	0.8	3.6
5-Yr Avg	-98.8	1.6	-37.0	-33.6	4.4
03/2004	XX	XX	1.2	XX	XX
03/2005	XX	XX	-2.9	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2004 Inv Assets ($000)	% of Invested Assets 2004	2003	Annual % Chg
Long-Term bonds	215,549	74.3	72.7	-3.4
Affiliated Investments	58,464	20.1	24.8	-23.3
Other Inv Assets	16,255	5.6	2.5	111.1
Total	290,268	100.0	100.0	-5.5

2004 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Government s	7.2	-0.6	4.0	100.0	...	...	...
States, terr & poss	23.2	5.2	13.0	100.0	...	...	...
Corporates	69.6	3.2	9.2	99.1	0.9	13.0	12.2
Total all bonds	100.0	3.4	9.7	99.4	0.6	9.0	12.2

CAPITALIZATION

The following text is derived from the report of The Hartford Insurance Pool.

Capital Generation: The pool has reported considerable increases in surplus over the five-year period as strong operating earnings excluding extraordinary charges, contributed capital and increased dividends from the life subsidiary have led to the pool increasing its surplus at a five-year compounded annual growth rate of 9.8%. Further, an increase in surplus (unrealized gain) of nearly $1.4 billion related to affiliated investment including Hartford Life, Inc. and strong operating earnings attributed to solid underwriting results propelled surplus measures in 2004. This strong generation of surplus takes into account annual stockholder dividends paid to The Hartford that total $1.8 billion since 2000. Additionally, strong net operating earnings and the significant capital infusion following the 2003 A&E reserve charge have propelled the pool's surplus growth since 2002. In 2001, the pool reported a modest increase in surplus as dividends to its parent were reduced and the implementation of codification resulted in the creation of a deferred tax asset that combined to offset losses stemming from September 11. Significantly adding to the pool's overall surplus position is the sizeable increase of the carry value of its affiliated investment in Hartford Life, Inc. The pool's surplus declined in 1999 and 2000 primarily due to the decline in the carried value of Hartford Life, Inc., although the pool received a $1.3 billion capital infusion in 2000 to fund the purchase of the remaining Hartford Life, Inc. shares.

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2000	19,664	-2,337,281	-4,419,422
2001	1,841	37,727	-43,000
2002	8,485	42,076	...
2003	8,589	46,112	-46,485
2004	10,911	-16,894	-45
5-Yr Total	49,490	-2,228,260	-4,508,952
03/2004	4,466	720	...
03/2005	8,688	-15,653	1,500

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
2000	1,616	-6,735,423	-97.6
2001	3,098	-334	-0.2
2002	-31,317	19,243	11.9
2003	-7,128	1,088	0.6
2004	-6,664	-12,692	-7.0
5-Yr Total	-40,395	-6,728,118	...
03/2004	-2,722	2,463	1.4
03/2005	-616	-6,081	-3.6

Overall Capitalization: The pool's capitalization is superior, with a Best's Capital Adequacy Ratio (BCAR) that supports its current rating. The pool's capitalization reflect its conservative operating strategies, embedded economic value in loss reserves, breadth of operations, manageable catastrophe exposure and internal generation of capital. These factors are somewhat offset by the substantial capital related to the pool's large holding in an affiliated holding company, Hartford Holdings, Inc., exposure to potential A&E claims, and the stop loss reinsurance that Hartford Fire continues to provide to First State Insurance Company and its affiliates, which are in run-off.

The overall financial flexibility of The Hartford has improved, due to the overall group's well-known name and reputation, strong balance sheet, and diversified business and operational profile. Historically, The Hartford had maintained financial leverage at the high-end of the acceptable range of its current Best rating. In addition to improved financial leverage, The Hartford held approximately $172 million cash at the holding company in 2004. However, the organization relies on dividends from its subsidiaries to service debt and other corporate obligations. The company has been able to tap both debt and equity markets in recent years (including the above mentioned recapitalization following the first quarter 2003 reserve charge). The Hartford's long-term flexibility also has been enhanced from the organizational "de-stacking" of its life and property/casualty operations, as the ultimate holding company now has access to two separate dividend streams instead of one. However, this benefit to The Hartford could result in additional pressure being placed on HLI to upstream more dividends should property/casualty results deteriorate in A.M. Best's view. In 2004, management's efforts to reduce the overall financial leverage of the organization resulted in The Hartford's debt-to-total capital declining to 27.8% in 2004 from 35.3% in 2003.

QUALITY OF SURPLUS ($000)

				% of PHS		Dividend Requirements	
	Year-	Cap Stk/		Un-	Stock-	Div to	Div to
	End	Contrib.		assigned	holder	POI	Net Inc.
Year	PHS	Cap.	Other	Surplus	Divs	(%)	(%)
2000	162,418	26.1	...	73.9	-175,071	890.3	780.0
2001	162,084	26.2	...	73.8	-43,000	999.9	570.3
2002	181,327	23.4	...	76.6	...	...	...
2003	182,415	2.4	...	97.6	-8,517	99.2	103.0
2004	169,723	2.6	...	97.4	-45	0.4	0.4
03/2004	184,879	2.4	...	97.6	...	...	...
03/2005	163,642	3.6	...	96.4	...	...	...

Underwriting Leverage: The pool maintains sound net and gross underwriting leverage measures that are stronger than industry averages. Although the pool has increased its premium writings and associated carried loss reserves, considerable surplus generation and conservative operating strategies has led to the reduction of leverage measures. Premium volumes have increased primarily due to rate increases garnered since 2001 and expanded writings in small and middle commercial market business and personal lines. However, operating initiatives such as exiting assumed reinsurance business and reducing writings of higher hazard specialty casualty lines has significantly enhanced the pool's risk profile towards historically less volatile lines of business. Prior to 2001, the pool's gross and net underwriting leverage had increased primarily due to surplus declines related to the carried value of Hartford Life, Inc. and the acceleration of premium growth. Both gross and net underwriting leverage increased further during 2001 due to ongoing growth in premium volume and an increase in overall liabilities. The increase in overall liabilities was driven by loss reserves related to September 11, an increase in unearned premium reserves and an increase in reinsurance funds held. Despite an increase in reinsurance recoverables, the pool maintains modest ceded leverage. :

LEVERAGE ANALYSIS

	Company				Industry Composite			
	NPW to	Reserves	Net	Gross	NPW to	Reserves	Net	Gross
Year	PHS	to PHS	Lev	Lev	PHS	to PHS	Lev	Lev
2000	0.3	0.4	0.9	0.9	0.4	0.8	1.4	2.7

LEVERAGE ANALYSIS

2001	0.3	0.4	1.0	1.0	0.4	0.7	1.8	3.4
2002	0.3	0.4	0.9	0.9	0.8	0.7	2.5	4.3
2003	0.3	0.5	1.1	1.1	0.7	1.0	2.6	4.2
2004	0.4	0.6	1.2	1.2	0.7	1.0	2.4	3.9
03/2004	0.3	0.5	1.0	XX	XX	XX	XX	XX
03/2005	0.4	0.6	1.2	XX	XX	XX	XX	XX

Current BCAR 236.5

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW ($000)	DPW (% Chg)	GPW ($000)	GPW (% Chg)
2000	132,492	999.9	179,012	228.4
2001	114,324	-13.7	160,011	-10.6
2002	173,717	52.0	230,709	44.2
2003	190,927	9.9	251,290	8.9
2004	152,259	-20.3	217,966	-13.3
5-Yr CAGR	...	66.4	...	31.9
5-Yr Change	...	999.9	...	299.9
03/2004	38,527	-18.8	54,397	-14.8
03/2005	33,736	-12.4	50,774	-6.7

Period Ending	NPW ($000)	NPW (% Chg)	NPE ($000)	NPE (% Chg)
2000	46,520	9.3	44,585	8.1
2001	45,688	-1.8	43,458	-2.5
2002	56,992	24.7	53,749	23.7
2003	60,364	5.9	58,513	8.9
2004	65,708	8.9	62,870	7.4
5-Yr CAGR	...	9.1	...	8.8
5-Yr Change	...	54.4	...	52.4
03/2004	15,871	-3.1	14,435	0.1
03/2005	17,038	7.4	16,489	14.2

Reserve Quality: The pool has reported considerable adverse loss reserves on a calendar and accident year basis primarily driven by the aforementioned A&E development. In addition to adverse development pertaining to A&E liabilities, the pool has also experienced unfavorable older accident year development in assumed reinsurance business that is now in run-off and certain classes of specialty casualty business including construction defect claims and large account workers' compensation. Although the pool has experienced adverse development on older accident years, more recent accident year trends are favorable, reflecting the benefits of improved pricing, enhanced risk selection and management's proactive stance in monitoring loss development. Specifically, in 2004, the group completed an asbestos reserve and reinsurance recoverable evaluation including a review of reinsurance recoverables associated with older casualty business

including asbestos liabilities. As a result of this review, the group increased its net asbestos reserves by $181 million, which included a reduction of its estimated reinsurance recoverable and an increase in the allowance of uncollectible reinsurance. These amounts are a sizeable improvement over the prior year. In the third quarter of 2004, the group completed its ground up study for environmental reserves and the result was a $75 million pretax increase in gross and net reserves. This proactive stance undertaken by management includes annual separate comprehensive ground-up studies that focus on the adequacy of reserve estimates for asbestos, environmental, reinsurance recoverable assets and reviews of assumed reinsurance reserves. Although these actions can't guarantee that adverse development will not occur, A.M. Best believes that The Hartford's proactive initiatives reduce the risk of reserve charges of great magnitude.

Based on Footnote 33 disclosure data, the pool reported $2.5 billion of gross A&E reserves and $1.5 billion of net A&E reserves at year end 2004. 2004 net A&E reserves were reduced considerably due to the announced settlement with The Hartford's largest claimant Western MacArthur in the fourth quarter of 2003 and the subsequent completion of the settlement during the first quarter of 2004. The payment of $1.15 billion went into a trust established for the benefit of present and future claimants. The payment was accounted for as a reduction in loss and loss adjustment expenses. In comparison, the pool as of year-end 2003 reported nearly $3.7 billion of gross A&E liabilities and $2.6 billion of net A&E liabilities. These amounts take into consideration the May 12, 2003 commutation of a reinsurance agreement with Heritage Re. Effective November 1, 2001, Hartford Fire had entered into a reinsurance agreement with Heritage Reinsurance Company. The agreements resulted in the ceding of $694 million of loss and loss adjustment expense reserves, of which $537 million was for A&E on business effective prior to January 1, 1986 and $157 million was for certain runoff non-A&E business. The pool has ongoing exposure to potential A&E losses stemming from the policies of its run-off affiliate, First State Insurance Company, through an aggregate stop loss agreement in the principal amount of $600 million. This stop loss agreement is used to support the run off of the insurance obligations of First State and its consolidated affiliates.

In the first quarter of 2003, several events occurred, including an increase in filings of pre-packaged bankruptcy plans by asbestos defendants, that in the Company's view confirmed the existence of a substantial long-term deterioration in the asbestos litigation environment. As a result of these worsening conditions, the Company conducted a comprehensive, ground-up study of its asbestos exposures in the first quarter of 2003. The study involved an extensive assessment of the group's asbestos liability exposures, taking into account a review of all active policyholders, changes in litigation and potential exposure arising from potential unaggregated exposure. The methodology of the study was reviewed by an internationally recognized actuarial consulting firm. In addition, the study reviewed both open and closed accounts, including settlement agreements, for potential unaggregated exposure. Every account identified as having potential unaggregated exposure was given a full, ground-up exposure analysis. As a result of discussions with management regarding The Hartford's asbestos study, A.M. Best is significantly more comfortable with the adequacy of the group's A&E reserves. A.M. Best views recent A&E reserve strengthening as positive in that it should lessen future A&E earnings drag as well as help narrow the gap between the group's carried A&E reserves and A.M. Best's view of A&E reserves.

According to A.M. Best's estimates, The Hartford ranks among the top five insurers in the nation with commercial lines that are potentially exposed to emerging A&E claims. The group has maintained an extensive and dedicated A&E claims unit which monitors and limits its future exposures through proactive dispute resolution strategies. While A.M. Best is reasonably comfortable with the adequacy of The Hartford's A&E reserves as a result of its recent reserve strengthening as well as the completion of follow-up ground-up A&E studies by the group. However, A&E reserve deficiency (albeit substantially reduced) is still assumed in Best's view of the group's capitalization. In addition to the 2003 charge, The Hartford had previously strengthened A&E reserves during the second quarter of 2002. At that time, The Hartford completed a review of its non A&E reserves and as a result realigned $600 million of reserves from the non-A&E reserve category to the asbestos and environmental categories, moving $540 million and $60 million, respectively, into those reserves.

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2004	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2004	Unpaid Resrv. to Dev.(%)
1999	69,428	84,210	21.3	0.2	204.1	32,679	38.8
2000	68,425	88,097	28.7	12.1	197.6	37,500	42.6

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

2001	67,718	90,566	33.7	14.1	208.4	44,492	49.1
2002	71,532	91,082	27.3	10.8	169.5	52,992	58.2
2003	95,002	96,504	1.6	0.8	164.9	68,893	71.4
2004	93,726	93,726	...	...	149.1	93,726	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2004	Develop. to Orig.(%)	Unpaid Reserves @12/2004	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
1999	17,481	19,984	14.3	3,018	82.5	115.7
2000	17,929	21,400	19.4	4,821	81.3	113.2
2001	23,584	21,783	-7.6	6,992	87.1	120.7
2002	20,989	19,685	-6.2	8,500	65.8	94.5
2003	23,495	22,633	-3.7	15,901	66.9	93.8
2004	24,833	24,833	...	24,833	68.0	96.8

ASBESTOS & ENVIRONMENTAL (A&E)
RESERVES ANALYSIS

Company

Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
2000	4,787	57.0	...
2001	33	0.5	...
2002	113	1.7	...
2003	18,327	70.2	...
2004	10,222	58.7	75.8

	Company			Industry Composite		
Year	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb Ratio Impact (1 yr)	Comb Ratio Impact (3 yr)
2000	...	0.0	...	...	0.5	...
2001	...	-8.7	...	...	1.3	...
2002	0.2	0.3	-2.6	8.6	2.3	1.4
2003	-31.4	26.3	7.6	9.1	1.7	1.8
2004	5.5	0.3	9.0	8.1	1.2	1.7

CEDED REINSURANCE ANALYSIS ($000)

Company Industry Composite

CEDED REINSURANCE ANALYSIS ($000)

Year	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS(%)
2000	...	35.1	...	...	46.9	94.8	125.7
2001	...	40.0	...	...	33.4	111.5	160.9
2002	...	32.8	...	...	40.8	129.3	179.8
2003	...	31.6	...	...	38.9	113.0	167.9
2004	...	43.2	...	...	43.0	107.9	147.2

2004 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	117,604	208,894	97,830	...	424,328
Grand Total	117,604	208,894	97,830	...	424,328

* Includes Commissions less Funds Withheld

Investment Leverage: The pool's non-affiliated investment portfolio is relatively conservative, composed primarily of fixed income securities diversified among U.S. Government, corporate and tax-exempt issues and asset backed bond holdings. During 2003, the pool reduced its investment leverage by exiting its higher risk investment asset classes (equity and hedge funds) and the pool's investment leverage remained conservative through 2004 with nearly 75% of all invested assets held in fixed income assets of solid credit quality. However, the pool's affiliated investments represent approximately 46% of surplus, primarily made up of its investment in Hartford Holdings (which owns the pool's life affiliates). This leads to concerns should any deterioration occur within Hartford Life, Inc. Nevertheless, Hartford Holdings life subsidiaries are adequately capitalized, profitable and are an integral part of The Hartford's business strategy.

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affil Inv.	Class 3-6 Bonds	Common Stocks
2000	1.0	...	...	2.6	3.7	42.7	0.8	19.8
2001	1.1	...	...	32.7	33.9	50.0	1.2	17.5
2002	1.7	...	...	...	1.7	48.5	1.9	16.6
2003	0.7	...	...	...	0.7	41.8	1.3	18.1
2004	0.8	...	...	...	0.8	34.4	1.6	17.4

LIQUIDITY

The following text is derived from the report of The Hartford Insurance Pool.

The pool maintains adequate balance sheet liquidity as non-affiliated invested assets are in line with overall liabilities. While the current ratio is comparable to industry composite peers, the quick ratio is low as the pool has reinvested a large portion of cash flow in long term bonds. The liquidity position has been enhanced by strong operating cash flow over the last five years, including proceeds from sales of subsidiaries.

LIQUIDITY ANALYSIS

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2000	78.3	198.5	276.3	...	42.5	152.0	194.0	8.7
2001	48.1	172.8	249.0	...	34.5	133.9	168.4	11.0
2002	7.0	184.4	275.4	...	33.6	122.9	155.1	16.3
2003	32.2	174.5	238.0	...	34.0	118.5	154.3	14.6
2004	27.6	178.1	230.4	...	35.3	131.2	156.8	12.9
03/2004	XX	179.2	248.2	...	XX	XX	XX	XX
03/2005	XX	178.3	225.4	...	XX	XX	XX	XX

CASH FLOW ANALYSIS ($000)

					Company		Industry Composite
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow(%)	Oper Cash Flow(%)	Underw Cash Flow(%)	Oper Cash Flow(%)
2000	-461	22,474	-108,137	99.0	147.8	92.2	111.2
2001	-4,949	675	-63,900	90.2	101.2	76.7	118.7
2002	6,158	-13,410	-697	112.1	83.0	136.7	152.3
2003	11,125	18,796	1,220	122.6	132.3	219.3	203.8
2004	2,155	6,758	8,605	103.4	109.5	191.9	193.0
03/2004	-5,094	-3,203	-2,285	75.7	84.7	XX	XX
03/2005	1,997	11,706	-4,708	113.3	177.9	XX	XX

HISTORY

This company was incorporated on November 19, 1980 under the laws of Connecticut. It began business on December 18, 1980. Capital paid-up is $3,000,000, consisting of 1,000 shares of capital stock at a par value of $3,000 per share. The company has 2,000 authorized shares.

MANAGEMENT

All of the outstanding capital stock is owned by The Hartford Financial Services Group, Inc.

Officers: Chief Executive Officer, Ramani Ayer; President and Chief Operating Officer, David K. Zwiener; Senior Executive Vice President, Judith A. Blades; Executive Vice President and Chief Investment Officer, David M. Znamierowski; Executive Vice President and General Counsel, Neal S. Wolin; Executive Vice Presidents, Ann M. de Raismes, Dana A. Drago, Calvin Hudson, David M. Johnson, David R. Robb, Raymond J. Sprague; Group Senior Vice President, Ann B. Glover; Senior Vice President and Chief Financial Officer, Michael J. Dury; Senior Vice President and Chief Actuary, Thomas S. Johnston; Senior Vice President and Treasurer, John N. Giamalis; Senior Vice President and Controller, Robert J. Price; Senior Vice President, Brian S. Becker; Vice President and Secretary, Richard G. Costello.

Directors: David M. Johnson, Neal S. Wolin, David M. Znamierowski, David K. Zwiener.

REGULATORY

An examination of the financial condition was made as of December 31, 2002 by the Insurance Departments of Connecticut and Indiana. An annual independent audit of the company is conducted by Deloitte & Touche, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by Thomas S. Johnston, senior vice president and chief actuary.

TERRITORY

The company is licensed in Connecticut. It also operates on a surplus lines or non-admitted basis in the District of Columbia, AL, AK, AZ, AR, CA, CO, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

REINSURANCE PROGRAMS

The following text is derived from the report of The Hartford Insurance Pool.

The largest net aggregate amount insured on any one risk, excluding workers' compensation is $46 million. The pool maintains excess of loss agreements for 90% of losses above $20 million up to $200 for workers' compensation risks. Excess of loss agreements are also maintained for losses above $3 million up to $62.5 million for commercial property exposures and above $3.0 million up to $25 million for excess property lines. In addition, the pool maintains a comprehensive catastrophe reinsurance program. These agreements include catastrophe agreements for 88.5% of losses above $125 million up to $820 million for primary lines, 95% of losses above $10 million up to $185 million for excess property lines, 94.7% of losses above $10 million up to $300 million for First State property business and 90% of losses above $100 million up to $470 million for personal lines exposures in Florida. The pool also maintains a 10% quota share for Florida and Long Island homeowners exposures and a 50% quota share for Hawaii homeowners exposures. The primary reinsurers are Swiss Reinsurance America Corporation, Lloyds of London, Hannover Re (Germany) and XL Reinsurance America, Inc. Under the provisions of the Terrorism Risk Insurance Act of 2002, the company estimates its retention to be $1.1 billion for the year 2005 for covered events.

In addition to the reinsurance protection secured under The Hartford's principal catastrophe reinsurance program, the Company recently purchased two fully collateralized, four-year reinsurance policies for losses sustained from qualifying hurricane and earthquake loss events. In November 2004, The Hartford purchased this reinsurance from Foundation Re, a Cayman Islands reinsurance company, which financed the provision of reinsurance through the issuance of $248mm in catastrophe bonds to investors under two separate bond offerings. Under the first reinsurance cover, which covers 45% of $400mm in losses in excess of a $1.3b index loss trigger, The Hartford purchased protection against hurricane loss events affecting the Gulf and Eastern Coast of the United States with a return period of greater than 1-in-100 years. The second coverage purchased by the Hartford covers 90% of $75mm in losses in excess of $125mm from qualifying hurricane and earthquake events, provided that such losses occur in the year following the occurrence of 1-in-100 year hurricane or earthquake event.

BALANCE SHEET ($000)

ADMITTED ASSETS	12/31/2004	12/31/2003	2004 %	2003 %
Bonds	215,549	223,085	71.9	70.9
Cash & short-term invest	13,577	4,972	4.5	1.6
Investments in affiliates	58,464	76,229	19.5	24.2
Total invested assets	287,590	304,287	95.9	96.7
Premium balances	487	1,086	0.2	0.3
Accrued interest	2,678	2,726	0.9	0.9
All other assets	9,140	6,536	3.0	2.1
Total assets	299,896	314,634	100.0	100.0

LIABILITIES & SURPLUS	12/31/2004	12/31/2003	2004 %	2003 %
Loss & LAE reserves	94,916	95,829	31.6	30.5
Unearned premiums	28,728	26,581	9.6	8.4
All other liabilities	6,529	9,809	2.2	3.1
Total liabilities	130,172	132,218	43.4	42.0
Capital & assigned surplus	4,446	4,446	1.5	1.4
Unassigned surplus	165,278	177,970	55.1	56.6
Total policyholders' surplus	169,723	182,415	56.6	58.0
Total liabilities & surplus	299,896	314,634	100.0	100.0

SUMMARY OF 2004 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2004	FUNDS PROVIDED FROM OPERATIONS	12/31/2004
Premiums earned	62,870	Premiums collected	65,682
Losses incurred	35,935	Benefit & loss related pmts	38,901
LAE incurred	8,411	Net transfers to accounts	...
Undrw expenses incurred	18,807	LAE & undrw expenses paid	24,528
Div to policyholders	80	Div to policyholders	98
Net underwriting income	-363	Undrw cash flow	2,155
Net investment income	11,753	Investment income	12,367
Other income/expense	-479	Other income/expense	-479
Pre-tax oper income	10,911	Pre-tax cash operations	14,043
Realized capital gains	3,964		
Income taxes incurred	2,997	Income taxes pd (recov)	7,285
Net income	11,878	Net oper cash flow	6,758

INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2005

INTERIM BALANCE SHEET

Cash & short term invest	8,870	...	...
Bonds	220,440	...	...
Common stock	11,082	...	...
Other investments	43,189	...	...
Total investments	283,581		
Premium balances	466	...	...
Accrued interest	3,479	...	...
All other assets	6,649	...	...
Total assets	294,175		
LIABILITIES & SURPLUS	03/31/2005		
Loss & LAE reserves	95,891	...	...
Unearned premiums	29,248	...	...
All other liabilities	5,394	...	...
Total liabilities	130,533		
Capital & assigned surp	5,946	...	...
Unassigned surplus	157,697	...	...
Policyholders' surplus	163,642		
Total liabilities & surplus	294,175		

INTERIM INCOME STATEMENT

	Period Ended 3/31/2005	Period Ended 3/31/2004	Increase/ Decrease
Premiums earned	16,489	14,435	2,054
Losses incurred	8,939	4,897	4,042
LAE incurred	1,682	4,034	-2,353
Underwriters expenses incurred	4,222	4,096	126
Div to policyholders	41	6	35
Net underwriting income	1,605	1,402	203
Net investment income	7,066	3,056	4,010
Other income/expenses	17	7	10
Pre-tax operating income	8,688	4,466	4,222
Realized capital gains	551	16	535
Income taxes incurred	1,290	1,427	-137
Net income	7,949	3,055	4,894

INTERIM CASH FLOW

	Period Ended 3/31/2005	Period Ended 3/31/2004	Increase/ Decrease
Premiums collected	17,034	15,871	1,163
Benefit & loss related pmts	7,931	14,270	-6,339
Undrw expenses paid	7,081	6,676	405
Div to policyholders	25	18	6

INTERIM CASH FLOW

Underwriting cash flow	1,997	-5,094	7,091
Investment income	6,602	1,884	4,718
Other income/expense	17	7	10
Pre-tax cash operations	8,615	-3,203	11,818
Income taxes pd (recov)	-3,091	...	-3,091
Net oper cash flow	11,706	-3,203	14,909

LOAD-DATE: August 18, 2005